

**REPORT OF THE AUDIT OF THE  
GRAYSON COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2007**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

**105 SEA HERO ROAD, SUITE 2  
FRANKFORT, KY 40601-5404  
TELEPHONE (502) 573-0050  
FACSIMILE (502) 573-0067**



**EXECUTIVE SUMMARY**

**AUDIT EXAMINATION OF THE  
GRAYSON COUNTY FISCAL COURT**

**June 30, 2007**

The Auditor of Public Accounts has completed the audit of the Grayson County Fiscal Court for fiscal year ended June 30, 2007. We have issued an unqualified opinion on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Grayson County, Kentucky.

**Financial Condition:**

The fiscal court had total net assets of \$6,647,622 as of June 30, 2007. The fiscal court had unrestricted net assets of \$1,794,202 in its governmental activities as of June 30, 2007, with total net assets of \$6,406,812. In its business-type activities, total net cash and cash equivalents were \$203,914 with total net assets of \$240,810. The fiscal court had total debt principal as of June 30, 2007 of \$10,568,046 with \$1,125,623 due within the next year.

**Deposits:**

The fiscal court's deposits, as of August 31, 2006, were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$75,807

The fiscal court's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the bank did not adequately collateralize fiscal court's deposits in accordance with the security agreement.



<u>CONTENTS</u>	PAGE
INDEPENDENT AUDITOR’S REPORT .....	1
GRAYSON COUNTY OFFICIALS .....	3
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS .....	7
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS.....	10
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS .....	15
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	18
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS.....	23
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS.....	27
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS .....	31
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS .....	35
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS .....	39
NOTES TO FINANCIAL STATEMENTS .....	41
BUDGETARY COMPARISON SCHEDULES .....	63
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION .....	66
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS .....	69
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS .....	73
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....	77
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	





CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Gary Logsdon, Grayson County Judge/Executive  
Members of the Grayson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grayson County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Grayson County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Grayson County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grayson County, Kentucky, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Gary Logsdon, Grayson County Judge/Executive  
Members of the Grayson County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grayson County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated May 24, 2008, on our consideration of Grayson County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accountants

May 24, 2008



## GRAYSON COUNTY OFFICIALS

For The Year Ended June 30, 2007

### **Fiscal Court Members:**

Gary Logsdon	County Judge/Executive
Harold Johnson	Magistrate
Presto Gary	Magistrate
Bill Skaggs	Magistrate
Randy Jason Dennis	Magistrate
Andy Logsdon	Magistrate
Curtis Wells	Magistrate

### **Other Elected Officials:**

Thomas H. Goff	County Attorney
Darwin Demnison	Jailer
Carletta Farris	County Clerk
Elois Downs	Circuit Court Clerk
Rick Clemons	Sheriff
Roger Tomes	Property Valuation Administrator
Joe Brad Hudson	Coroner

### **Appointed Personnel:**

Rebecca Hayse	County Treasurer
Larry Holeman	Occupational Tax Collector
Freida Alexander	Finance Officer
Steve Mahurin	Road Supervisor
Kim Miller	911 Administrator
Sandy Farris	Jail Administrative Assistant

THIS PAGE LEFT BLANK INTENTIONALLY

**GRAYSON COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2007**



**GRAYSON COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2007**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Current Assets:			
Cash And Cash Equivalents	\$ 2,174,105	\$ 203,914	\$ 2,378,019
Total Current Assets	<u>2,174,105</u>	<u>203,914</u>	<u>2,378,019</u>
Noncurrent Assets:			
Capital Assets - Net Of Accumulated Depreciation			
Construction In Progress		486,292	486,292
Land and Land Improvements	820,559	192,200	1,012,759
Buildings	9,786,236		9,786,236
Vehicles and Equipment	1,587,936	36,896	1,624,832
Infrastructure Assets - Net Of Depreciation	<u>1,927,530</u>		<u>1,927,530</u>
Total Noncurrent Assets	<u>14,122,261</u>	<u>715,388</u>	<u>14,837,649</u>
Total Assets	<u>16,296,366</u>	<u>919,302</u>	<u>17,215,668</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Bonds Payable	350,000		350,000
Lease Revenue Bond Anticipation Notes		678,492	678,492
Financing Obligations Payable	97,131		97,131
Total Current Liabilities	<u>447,131</u>	<u>678,492</u>	<u>1,125,623</u>
Noncurrent Liabilities:			
Bonds Payable	8,655,000		8,655,000
Financing Obligations Payable	787,423		787,423
Total Noncurrent Liabilities	<u>9,442,423</u>		<u>9,442,423</u>
Total Liabilities	<u>9,889,554</u>	<u>678,492</u>	<u>10,568,046</u>
<b>NET ASSETS</b>			
Invested In Capital Assets, Net Of Related Debt	4,232,707	36,896	4,269,603
Restricted For:			
Debt Service	379,903		379,903
Unrestricted	1,794,202	203,914	1,998,116
Total Net Assets	<u>\$ 6,406,812</u>	<u>\$ 240,810</u>	<u>\$ 6,647,622</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**GRAYSON COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2007**

**GRAYSON COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

Functions/Programs	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 4,599,984	\$ 35,034	\$ 132,932	\$ 298,358
Protection To Persons And Property	7,019,537	9,320,532	453,952	
General Health And Sanitation	99,029		79,213	
Social Services	19,067		10,868	
Recreation And Culture	25,952			
Roads	2,056,083		2,191,931	
Bus Service	8,500		978	
Debt Service	1,003,198			
Capital Projects	643,019			
Total Governmental Activities	15,474,369	9,355,566	2,869,874	298,358
Business-type Activities:				
Jail Canteen	719,221	786,153		
Public Properties Corporation				
Total Business-type Activities	719,221	786,153		
Total Primary Government	\$ 16,193,590	\$ 10,141,719	\$ 2,869,874	\$ 298,358

**General Revenues:**

Taxes:

    Real Property Taxes

    Personal Property Taxes

    Motor Vehicle Taxes

    Occupational Taxes

    Other Taxes

Excess Fees

Miscellaneous Revenues

Insurance Proceeds

Interest Received

Gain on Disposal of Vehicles

    Total General Revenues and Transfers

    Change In Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.



**GRAYSON COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2007**  
**(Continued)**

<b>Net (Expenses) Revenues and Changes in Net Assets</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
\$ (4,133,660)	\$	\$ (4,133,660)
2,754,947		2,754,947
(19,816)		(19,816)
(8,199)		(8,199)
(25,952)		(25,952)
135,848		135,848
(7,522)		(7,522)
(1,003,198)		(1,003,198)
(643,019)		(643,019)
(2,950,571)		(2,950,571)
	66,932	66,932
	66,932	66,932
\$ (2,950,571)	\$ 66,932	\$ (2,883,639)
484,046		484,046
67,729		67,729
118,050		118,050
1,079,611		1,079,611
520,226		520,226
158,190		158,190
338,422		338,422
274,842		274,842
101,686		101,686
11,652		11,652
3,154,454		3,154,454
203,883	66,932	270,815
6,202,929	173,878	6,376,807
\$ 6,406,812	\$ 240,810	\$ 6,647,622

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**GRAYSON COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2007**



**GRAYSON COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2007**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Detention Facility Project Bond Fund</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>						
Cash And Cash Equivalents	\$ 286,352	\$ 135,900	\$ 1,324,518	\$ 379,903	\$ 47,432	\$ 2,174,105
Total Assets	<u>\$ 286,352</u>	<u>\$ 135,900</u>	<u>\$ 1,324,518</u>	<u>\$ 379,903</u>	<u>\$ 47,432</u>	<u>\$ 2,174,105</u>
<b>FUND BALANCES</b>						
Reserved For:						
Encumbrances	\$ 24,407	\$ 133,787	\$ 126,708	\$	\$ 7,033	\$ 291,935
Debt Service				379,903		379,903
Unreserved:						
General Fund	261,945					261,945
Special Revenue Funds		2,113	1,197,810		40,399	1,240,322
Total Fund Balances	<u>\$ 286,352</u>	<u>\$ 135,900</u>	<u>\$ 1,324,518</u>	<u>\$ 379,903</u>	<u>\$ 47,432</u>	<u>\$ 2,174,105</u>

**Reconciliation To Statement of Net Assets:**

Total Fund Balances	\$ 2,174,105
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used In Governmental Activities Are Not Financial	
Resources And Therefore Are Not Reported In The Funds.	17,862,334
Accumulated Depreciation	(3,740,073)
Long-term Debt Is Not Due And Payable In The Current Period And,	
Therefore, Is Not Reported In The Funds.	
Financing Obligations	(884,554)
Bonded Debt	<u>(9,005,000)</u>
Net Assets Of Governmental Activities	<u>\$ 6,406,812</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**GRAYSON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

**GRAYSON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Detention Facility Project Bond Fund</b>
<b>REVENUES</b>				
Taxes	\$ 1,270,361	\$ 701,747	\$	\$
In Lieu Tax Payments	16,241			
Excess Fees	158,190			
Licenses and Permits	18,131			
Intergovernmental	260,880	2,191,931	9,491,194	
Charges for Services	975		89,243	
Miscellaneous	34,799	52,129	411,106	
Interest	14,284	26,322	45,415	10,526
Total Revenues	<u>1,773,861</u>	<u>2,972,129</u>	<u>10,036,958</u>	<u>10,526</u>
<b>EXPENDITURES</b>				
General Government	945,215			
Protection to Persons and Property	50,964		6,457,570	
General Health and Sanitation	84,297			
Social Services				
Recreation and Culture	55,849			
Roads		2,953,523		
Bus Services				
Debt Service	78,957	25,292	20,832	782,893
Capital Projects	50,000		295,165	
Administration	741,387	326,472	2,414,352	
Total Expenditures	<u>2,006,669</u>	<u>3,305,287</u>	<u>9,187,919</u>	<u>782,893</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(232,808)</u>	<u>(333,158)</u>	<u>849,039</u>	<u>(772,367)</u>
<b>Other Financing Sources (Uses)</b>				
Bond Sale Proceeds				8,135,000
Bond Discount				(65,285)
Payment to Refunded Bond Escrow Agent				(7,962,218)
Transfers to Other Funds	(60,000)	(77,310)	(881,789)	
Transfers from Other Funds	169,510	100,000		771,789
Financing Obligation Proceeds	50,000		284,350	
Total Other Financing Sources (Uses)	<u>159,510</u>	<u>22,690</u>	<u>(597,439)</u>	<u>879,286</u>
Net Change in Fund Balances	(73,298)	(310,468)	251,600	106,919
Fund Balances - Beginning	<u>359,650</u>	<u>446,368</u>	<u>1,072,918</u>	<u>272,984</u>
Fund Balances - Ending	<u>\$ 286,352</u>	<u>\$ 135,900</u>	<u>\$ 1,324,518</u>	<u>\$ 379,903</u>

The accompanying notes are an integral part of the financial statements.



**GRAYSON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2007**  
**(Continued)**

<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$ 265,685	\$ 2,237,793
	16,241
	158,190
	18,131
410,169	12,354,174
60,000	150,218
191,083	689,117
5,139	101,686
<u>932,076</u>	<u>15,725,550</u>
11,524	956,739
640,178	7,148,712
14,732	99,029
17,118	17,118
20,005	75,854
	2,953,523
8,500	8,500
29,208	937,182
297,854	643,019
118,705	3,600,916
<u>1,157,824</u>	<u>16,440,592</u>
<u>(225,748)</u>	<u>(715,042)</u>
	8,135,000
	(65,285)
	(7,962,218)
	(1,019,099)
170,000	1,211,299
	334,350
<u>170,000</u>	<u>634,047</u>
(55,748)	(80,995)
<u>103,180</u>	<u>2,255,100</u>
<u>\$ 47,432</u>	<u>\$ 2,174,105</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**GRAYSON COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**



**GRAYSON COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

Net Change in Fund Balances - Total Governmental Funds	\$	(80,995)
--	----	----------

Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities, the Cost of Those Assets Is Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.

Capital Outlay		1,668,213
Depreciation Expense		(621,805)
Book Value of Disposed Capital Assets		(259,502)

The Issuance of Long-term Debt (e.g. Bonds, Financing Obligations) Provides Current Financial Resources to Governmental Funds while Principal Payments Are Expense in the Governmental Funds as a Use of Current Financial Resources. These Transactions, however, Have No Effect on Net Assets.

Financing Obligation Proceeds		(334,350)
Bond Issuance Proceeds		(8,135,000)
Financing Obligations Payments		117,322
Bond Payments		280,000
Payment to Refund Bonds - Principal		7,570,000

Change in Net Assets of Governmental Activities	\$	<u>203,883</u>
---	----	----------------

THIS PAGE LEFT BLANK INTENTIONALLY

**GRAYSON COUNTY**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2007**





**GRAYSON COUNTY**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2007**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Jail Canteen Fund</b>	<b>Public Properties Corporation Fund</b>	<b>Totals</b>
<b>Assets</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 203,914	\$	\$ 203,914
Total Current Assets	203,914		203,914
Noncurrent Assets:			
Capital Assets:			
Construction in Progress		486,292	486,292
Land		192,200	192,200
Vehicles and Equipment	82,958		82,958
Less Accumulated Depreciation	(46,062)		(46,062)
Total Noncurrent Assets	36,896	678,492	715,388
Total Assets	240,810	678,492	919,302
<b>Liabilities</b>			
Current Liabilities			
Lease Revenue Bond Anticipation Notes		678,492	678,492
Total Current Liabilities		678,492	678,492
<b>Net Assets</b>			
Invested in Capital Assets	36,896		36,896
Unrestricted	203,914		203,914
Total Net Assets	\$ 240,810	\$ 0	\$ 240,810

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**GRAYSON COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**



**GRAYSON COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Jail Canteen Fund</b>	<b>Public Properties Corporation Fund</b>	<b>Totals</b>
<b>Operating Revenues</b>			
Canteen Receipts	\$ 722,660	\$	\$ 722,660
Other Receipts	63,493		63,493
Total Operating Revenues	<u>786,153</u>		<u>786,153</u>
<b>Operating Expenses</b>			
Cost of Sales	260,726		260,726
Jail Fees	59,007		59,007
Entertainment	11,757		11,757
Pay Commissary	340,678		340,678
Depreciation	15,591		15,591
Miscellaneous	31,462		31,462
Total Operating Expenses	<u>719,221</u>		<u>719,221</u>
Operating Income (Loss)	<u>66,932</u>		<u>66,932</u>
 Change In Net Assets	 66,932		 66,932
Total Net Assets - Beginning	<u>173,878</u>		<u>173,878</u>
 Total Net Assets - Ending	 <u>\$ 240,810</u>	 <u>\$ 0</u>	 <u>\$ 240,810</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**GRAYSON COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**





**GRAYSON COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Jail Canteen Fund</b>	<b>Public Properties Corporation Fund</b>	<b>Totals</b>
<b>Cash Flows From Operating Activities</b>			
Receipts From Customers	\$ 722,660	\$	\$ 722,660
Other Receipts	63,493		63,493
Cost of Sales	(260,726)		(260,726)
Jail Fees	(59,007)		(59,007)
Entertainment	(11,757)		(11,757)
Pay Commissary	(340,678)		(340,678)
Miscellaneous	(31,462)		(31,462)
Net Cash Provided By Operating Activities	82,523		82,523
<b>Cash Flows From Noncapital Financing Activities</b>			
Transfers to Other Funds		(192,200)	(192,200)
Net Cash Used By Noncapital Financing Activities		(192,200)	(192,200)
<b>Cash Flows From Capital and Related Financing Activities</b>			
Lease Revenue Bond Anticipation Notes Proceeds		678,492	678,492
Capital Asset	(19,250)		(19,250)
Construction in Progress		(486,292)	(486,292)
Net Cash Provided (Used) By Capital and Related Financing Activities	(19,250)	192,200	172,950
Net Increase in Cash and Cash Equivalents	63,273		63,273
Cash and Cash Equivalents - July 1, 2006	140,641		140,641
Cash and Cash Equivalents - June 30, 2007	\$ 203,914	\$ 0	\$ 203,914
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>			
Operating Income	\$ 66,932	\$	\$ 66,932
Adjustments to Reconcile Operating Income To Net Cash Provided By Operating Activities			
Depreciation Expense	15,591		15,591
Net Cash Provided By Operating Activities	\$ 82,523	\$ 0	\$ 82,523

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**GRAYSON COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2007**



**GRAYSON COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2007**

	<u><b>Agency Fund</b></u>
	<u><b>Jail Inmate Fund</b></u>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$     55,591
Total Assets	<u>\$     55,591</u>
<b>Liabilities</b>	
Amounts Held In Custody For Others	\$     55,591
Total Liabilities	<u>\$     55,591</u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .....	41
NOTE 2.	DEPOSITS .....	47
NOTE 3.	CAPITAL ASSETS .....	48
NOTE 4.	SHORT-TERM DEBT - LEASE REVENUE BOND ANTICIPATION NOTES .....	50
NOTE 5.	LONG-TERM DEBT - BONDS .....	50
NOTE 6.	LONG-TERM DEBT - FINANCING OBLIGATIONS .....	51
NOTE 7.	INTEREST ON LONG-TERM DEBT AND FINANCING OBLIGATIONS .....	57
NOTE 8.	EMPLOYEE RETIREMENT SYSTEM.....	58
NOTE 9.	DEFERRED COMPENSATION .....	58
NOTE 10.	INSURANCE.....	58
NOTE 11.	DETENTION CENTER ACCOUNTING SYSTEM.....	59
NOTE 12.	SUBSEQUENT EVENTS .....	59
NOTE 13.	SALE OF LAND.....	59

**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Grayson County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes no organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The County has no discretely presented component units.

**Blended Component Unit**

The following legally separate organization provides services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organizations' balances and transactions are reported as though they are part of the county's primary government using the blending method.

**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

Blended Component Unit (Continued)

Grayson County Public Properties Corporation

Fiscal Court has the authority to appoint a voting majority of the Public Properties Corporation's (PPC) Board of Directors. Fiscal Court also has the ability to approve or modify the PPC's budget, approve or modify rate or fee changes affecting revenues, veto, overrule, or modify decisions of the Board of Directors, or otherwise impose its will on the PPC. In addition, Fiscal Court is financially accountable for the PPC, legally entitled to the PPC's resources, as well as legally obligated for the PPC's debt. Financial information for the Public Properties Corporation is blended within Grayson County's financial statements.

**C. Grayson County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Grayson County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities, and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These officials are not part of the Grayson County reporting entity.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.



**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3<sup>rd</sup> Saturday in April following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

The primary government reports the following major governmental funds:

**General Fund** - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

**Road Fund** - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**Jail Fund** - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**Detention Facility Project Bond Fund** - This fund accounts for the accumulation of resources for the payment of long-term debt principal and interest for the Grayson County Detention Facility. The Department for Local Government does not require the fiscal court to report or budget this fund.

**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, Federal Grant Fund, Disaster and Emergency Services Fund, and Emergency 911 Fund.

**Special Revenue Funds:**

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Federal Grant Fund, Disaster and Emergency Services Fund and Emergency 911 Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**Debt Service Fund:**

The Detention Facility Project Bond Fund is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

**Proprietary Funds**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Enterprise Funds:**

The principal operating revenue of the county's enterprise funds is charges to customers for sales in the Jail Canteen Fund and charges of rent in the Grayson County Public Properties Corporation. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major enterprise funds:

**Jail Canteen Fund** - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

**Grayson County Public Properties Corporation Fund** - The Public Properties Corporation accounts for the activities of the Public Corporation, a blended component unit of the county. The Public Properties Corporation issued debt to build a new judicial building. The Public Properties Corporation entered into a contract, lease, and option with the County and Administrative Office of the Courts (AOC), Commonwealth of Kentucky. The Department for Local Government does not require the fiscal court to report or budget this fund.

**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Fiduciary Funds**

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund, the Jail Inmate Fund, is used to account for inmate monies held by the Jailer, for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction in Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings	\$ 50,000	10-75
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 15,000	3-25
Vehicles	\$ 12,500	3-25
Infrastructure	\$ 20,000	10-50

**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**G. Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The State Local Finance Officer does not require a formal budget to be adopted for the Jail Canteen Fund.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**J. Related Organizations, Joint Venture, and Jointly Governed Organizations**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Grayson County Fiscal Court: Grayson County Water Districts, Grayson County Soil Conservation District, Grayson County Extension Service, and Grayson County Library.

**Note 2. Deposits**

The County maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

**Custodial Credit Risk - Deposits**

Custodial Credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2007, fiscal court deposits were covered by FDIC insurance or a properly executed collateral agreement. However, as of August 31, 2006, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the fiscal court's deposits in accordance with the security agreement as follows:

- Uncollateralized and Unsecured \$75,807

**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2007 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 717,594	\$ 295,165	\$ (192,200)	\$ 820,559
Total Capital Assets Not Being Depreciated	717,594	295,165	(192,200)	820,559
Capital Assets, Being Depreciated:				
Buildings	12,063,426			12,063,426
Vehicles and Equipment	2,677,896	257,129	(158,121)	2,776,904
Infrastructure	1,085,526	1,115,919		2,201,445
Total Capital Assets Being Depreciated	15,826,848	1,373,048	(158,121)	17,041,775
Less Accumulated Depreciation For:				
Buildings	(2,061,828)	(215,362)		(2,277,190)
Vehicles and Equipment	(1,056,798)	(222,989)	90,819	(1,188,968)
Infrastructure	(90,461)	(183,454)		(273,915)
Total Accumulated Depreciation	(3,209,087)	(621,805)	90,819	(3,740,073)
Total Capital Assets, Being Depreciated, Net	12,617,761	751,243	(67,302)	13,301,702
Governmental Activities Capital Assets, Net	\$ 13,335,355	\$ 1,046,408	\$ (259,502)	\$ 14,122,261

**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 3. Capital Assets (Continued)**

Capital asset activity for the year ended June 30, 2007 was as follows: (Continued)

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities:</u>				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$	\$ 486,292	\$	\$ 486,292
Land		192,200		192,200
Total Capital Assets Not Being Depreciated		678,492		678,492
Capital Assets, Being Depreciated:				
Vehicles and Equipment	63,708	19,250		82,958
Total Capital Assets Being Depreciated	63,708	19,250		82,958
Less Accumulated Depreciation For:				
Vehicles and Equipment	(30,471)	(15,591)		(46,062)
Total Accumulated Depreciation	(30,471)	(15,591)		(46,062)
Total Capital Assets, Being Depreciated, Net	33,237	3,659		36,896
Business-Type Activities Capital Assets, Net	\$ 33,237	\$ 682,151	\$	\$ 715,388

Depreciation expense was charged to functions of the government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 42,628
Protection to Persons and Property	344,001
Social Services	1,949
Recreation and Culture	998
Roads, Including Depreciation of General Infrastructure Assets	<u>232,229</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 621,805</u>
<u>Business-Type Activities</u>	
Jail Canteen Fund	<u>\$ 15,591</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 15,591</u>

**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 4. Short-term Debt - Lease Revenue Bond Anticipation Notes**

On August 11, 2006 the Grayson County Public Properties Corporation issued Lease Revenue Bond Anticipation Notes in the amount of \$1,000,000 at 3.92% interest rate. During the year, the Public Properties Corporation used \$678,492 of the \$1,000,000 available. In the subsequent fiscal year, the Public Properties Corporation repaid principal in the amount of \$678,492, and interest of \$10,999.

Short-term liability activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<b>Primary Government:</b>				
<u>Business Type Activities:</u>				
Bank of Clarkson	\$	\$ 678,492	\$	\$ 678,492
Business Type Activities				
Short-term Liabilities	\$ 0	\$ 678,492	\$ 0	\$ 678,492

**Note 5. Long-term Debt - Bonds**

**A. General Obligation Improvement Bonds, Series 1999**

The Fiscal Court issued obligations, dated September 1, 1999 and payable in 25 annual installments beginning September 1, 2002, with \$9,700,000 term bonds due on September 1, 22024, and semi-annual interest payments on the first of March and September at varying rates from 5.0 % to 5.375 %. The Fiscal Court issued the bonds for the purpose of constructing a Detention Center.

The Fiscal Court issued General Obligation Refunding Bonds, Series 2006 to partially refund the series 1999 bonds. As of June 30, 2007, bonds outstanding were \$920,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 290,000	\$ 38,750
2009	305,000	23,875
2010	325,000	8,125
Totals	\$ 920,000	\$ 70,750

**Note 5. Long-term Debt - Bonds (Continued)**



**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**B. General Obligation Refunding Bonds, Series 2006**

The Fiscal Court issued obligations, dated October 15, 2006 and payable in 19 annual installments beginning September 1, 2007, with \$8,135,000 term bonds due on September 1, 2024, and semi-annual interest payments on the first of March and September at varying rates from 5.0 % to 5.375 %.

The Fiscal Court issued the bonds to refund the General Obligation Improvement Series 1999 Bonds due September 1, 2010 through 2024. The refunding of the Series 1999 Bonds will be accomplished pursuant to the Escrow Agreement by and between the County and U. S. Bank, National Association, the paying agent for the Series 1999 Bonds (the “Escrow Agent”) by depositing with the Escrow Agent a sum of initial cash and certain noncallable direct obligations of the United States Treasury (collectively, the “Government Obligations”). The funds needed to make the initial cash deposit and to purchase the Government Obligations will be provided from the proceeds of the Bonds.

The Government Obligations to be purchased and deposited with the Escrow Agent will bear interest at such rates and will be scheduled to mature at such times and in such amounts so that, when paid according to their respective terms, sufficient moneys together with any amounts of cash then on deposit with the Escrow Agent, will be available to fully provide for: (i) the timely payment of interest on the Series 1999 Bonds accruing from September 1, 2006 to and including September 1, 2009 (the earliest date on which such bonds can be redeemed prior to maturity); and (ii) to redeem on November 1, 2010 at a price equal to 101% of principal amount the Series 1999 Bonds which as of that date have not been redeemed, retired or otherwise paid.

All moneys and Government Obligations on deposit with the Escrow Agent, including interest to be earned thereon, are pledged solely and irrevocably for the benefit of the holders of the Series 1999 bonds.

As of June 30, 2007, bonds outstanding were \$8,085,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2008	\$ 60,000	\$ 308,274
2009	60,000	306,136
2010	60,000	303,961
2011	400,000	295,624
2012	415,000	280,852
2013-2017	2,315,000	1,160,733
2018-2022	2,805,000	677,035
2023-2025	1,970,000	120,400
Totals	<u>\$ 8,085,000</u>	<u>\$ 3,453,015</u>

**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**A. Voting Machines**

On December 18, 1997 the Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust in the amount of \$127,620 at a 4.25% effective interest rate. The financing obligation was for the funding of voting machines. The maturity date of the obligation is December 20, 2007. The principal outstanding as of June 30, 2007 was \$7,703. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2008	\$ 7,703	\$ 133
Totals	\$ 7,703	\$ 133

**B. Ambulance**

On June 25, 2005 the Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust in the amount of \$60,000 at 4.25 percent interest for a period of five years. The financing obligation was for funding of an ambulance. The maturity date of the obligation is July 20, 2029. The principal balance of the obligation as of June 30, 2007 was \$38,755. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2008	\$ 11,920	\$ 1,802
2009	12,532	1,275
2010	13,175	633
2011	1,128	23
Totals	\$ 38,755	\$ 3,733

**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 6. Long-term Debt - Financing Obligations (Continued)**

**C. Truck and Backhoe**

On December 23, 2003 the Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust in the sum of \$55,500 at 2.73 percent interest for a period of five years. The financing obligation was for the funding of a truck and backhoe. The maturity date of the obligation is January 20, 2009. The principal balance of the obligation as of June 30, 2007 was \$18,497. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2008	\$ 11,578	\$ 521
2009	6,919	121
Totals	<u>\$ 18,497</u>	<u>\$ 642</u>

**D. 911 Communications Center Dictaphone Freedom Recording System**

On June 19, 2003 the Fiscal Court entered into an agreement with Fleetwood Financial in the amount of \$15,712 at a variable interest rate for a period of five years. The financing obligation was for funding of a Dictaphone Freedom Recording System for the 911 Communication Center. The obligation matures in October 2007. The principal balance of the obligation as of June 30, 2007 was \$3,009. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2008	\$ 3,009	\$ 133
Totals	<u>\$ 3,009</u>	<u>\$ 133</u>

**E. Detention Center Dictaphone Freedom Recording System**

On June 19, 2003 the Fiscal Court entered into an agreement with Fleetwood Financial in the amount of \$15,649 at a variable interest rate for a period of five years. The financing obligation was for funding of a Dictaphone Freedom Recording System for the Detention Center. The obligation matures in October 2007. The principal balance of the obligation as of June 30, 2007 was \$3,023. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2008	\$ 3,023	\$ 107
Totals	<u>\$ 3,023</u>	<u>\$ 107</u>

**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 6. Long-term Debt - Financing Obligations (Continued)**

F. Judicial Center Property

On December 10, 2004 the Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust in the amount of \$300,000 at a variable interest rate for a period of 25 years. The financing obligation was for funding of property for a new judicial center. The maturity date of the obligation is July 20, 2029. The principal balance of the obligation as of June 30, 2007 was \$290,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2008	\$ 10,000	\$ 14,025
2009	10,000	13,521
2010	10,000	13,025
2011	10,000	12,522
2012	10,000	12,042
2013-2017	50,000	52,736
2018-2022	60,000	39,645
2023-2027	75,000	21,865
2028-2030	55,000	3,410
Totals	<u>\$ 290,000</u>	<u>\$ 182,791</u>

G. Property

On June 7, 2005 the Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust in the amount of \$13,500 at 4.25 % interest for a period of five years. The financing obligation was for funding of property. The maturity date of the obligation is July 20, 2029. The principal balance of the obligation as of June 30, 2007 was \$8,500. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2008	\$ 3,000	\$ 290
2009	3,000	172
2010	2,500	60
Totals	<u>\$ 8,500</u>	<u>\$ 522</u>

**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 6. Long-term Debt - Financing Obligations (Continued)**

H. Sheriff's Vehicles

On July 29, 2005 the Fiscal Court entered into an agreement with Old National Bank in the amount of \$72,000 at 4.60 % interest for a period of five years. The financing obligation was for the funding of three sheriff's vehicles. The maturity date of the obligation is July 20, 2010. The principal balance of the obligation as of June 30, 2007 was \$58,865. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2008	\$ 13,739	\$ 2,708
2009	14,371	2,076
2010	15,032	1,415
2011	15,723	723
Totals	<u>\$ 58,865</u>	<u>\$ 6,922</u>

I. Road Grader

On May 4, 2006 the Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust in the amount of \$140,167 at 4.30 % interest for a period of fifteen years. The financing obligation was for funding of a road grader. The maturity date of the obligation is May 20, 2021. The principal balance of the obligation as of June 30, 2007 was \$133,177. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2008	\$ 6,797	\$ 6,602
2009	7,144	6,388
2010	7,510	6,023
2011	7,894	5,636
2012	8,298	5,227
2013-2017	48,310	19,357
2018-2021	47,224	5,793
Totals	<u>\$ 133,177</u>	<u>\$ 55,026</u>

**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 6. Long-term Debt - Financing Obligations (Continued)**

J. Skate Park

On November 3, 2006 the Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust in the amount of \$50,000 at 4.365 % interest for a period of fifteen years. The financing obligation was for funding of a skate park. The maturity date of the obligation is November 20, 2021. The principal balance of the obligation as of June 30, 2007 was \$48,676. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2008	\$ 2,362	\$ 2,510
2009	2,483	2,475
2010	2,611	2,348
2011	2,745	2,213
2012	2,886	2,075
2013-2017	16,808	7,992
2018-2022	18,781	3,134
Totals	<u>\$ 48,676</u>	<u>\$ 22,747</u>

K. Detention Center Property

On December 4, 2006 the Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust in the amount of \$284,350 at 5.188 % interest for a period of ten years. The financing obligation was for funding of property for the detention center. The maturity date of the obligation is July 20, 2016. The principal balance of the obligation as of June 30, 2007 was \$274,350. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2008	\$ 24,000	\$ 13,462
2009	24,000	12,397
2010	24,000	11,182
2011	24,000	9,966
2012	29,000	8,729
2013-2017	149,350	17,119
Totals	<u>\$ 274,350</u>	<u>\$ 72,855</u>

**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 6. Long-term Debt - Financing Obligations (Continued)**

L. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
General Obligation Bonds (Note 5)	\$ 8,720,000	\$ 8,135,000	\$ 7,850,000	\$ 9,005,000	\$ 350,000
<b>Financing Obligations:</b>					
Fleetwood Financial	11,568		5,536	6,032	6,032
Kentucky Association Of Counties Leasing Trust Program	558,633	334,350	73,326	819,657	77,360
Old National Bank	72,000		13,135	58,865	13,739
Verizon Credit	<u>25,325</u>		<u>25,325</u>		
Governmental Activities Long-term Liabilities	<u>\$ 9,387,526</u>	<u>\$ 8,469,350</u>	<u>\$ 7,967,322</u>	<u>\$ 9,889,554</u>	<u>\$ 447,131</u>

**Note 7. Interest On Long-term Debt and Financing Obligations**

Debt Service on the Statement of Activities includes \$51,405 in interest on financing obligations and \$346,389 in interest on bonds.

**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 8. Employee Retirement System**

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 28.21 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**Note 9. Deferred Compensation**

On April 3, 2003, the Grayson County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**Note 10. Insurance**

For the fiscal year ended June 30, 2007, Grayson County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.



**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 11. Detention Center Accounting System**

Beginning in fiscal year ending June 30, 2003, the County Jailer assumed responsibility for paying and accounting for Jail Fund expenditures. The County Treasurer still receives, deposits and records Jail Fund revenue in the receipts ledger, and receives and reconciles monthly bank statements to receipts. The County Jailer receives invoices from vendors, computes payroll for jail personnel, presents claims to fiscal court for approval, prepares Jail Fund checks, maintains the Jail Fund appropriations ledger and warrant distribution register, and reconciles monthly bank statements. Jail Fund checks are co-signed by the County Jailer, in addition to the County Judge/Executive and County Treasurer. The Department for Local Government assisted in the design and approved this accounting system for the Grayson County Detention Center.

**Note 12. Subsequent Events**

Grayson County Public Properties Corporation Lease Revenue Bonds (Judicial Center Project)

The Grayson County Public Properties Corporation issued lease revenue bonds in the amount of \$12,115,000 with interest rates varying from 4.25 % to 4.625 % on September 11, 2007. The proceeds of the bonds will be used to acquire, construct, and equip a new judicial center. The maturity date of the bonds is September 1, 2027.

The Bonds do not constitute a debt, liability, or obligation of the County of Grayson, Kentucky (the "County") or the Grayson County Public Properties Corporation (the "issuer"), or a pledge of the full faith and credit of the County or the Issuer, but are payable solely from rental income derived from an annually renewable lease agreement.

**Note 13. Sale of Land**

The Grayson County Public Properties Corporation (PPC), a blended component unit, purchased land from Grayson County Fiscal Court during the year. The Fiscal Court received cash of \$192,200 from the PPC as a result of the sale.

THIS PAGE LEFT BLANK INTENTIONALLY

**GRAYSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2007**



**GRAYSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**

**For The Year Ended June 30, 2007**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 1,187,100	\$ 1,187,100	\$ 1,270,361	\$ 83,261
In Lieu Tax Payments	9,700	9,700	16,241	6,541
Excess Fees	64,167	158,000	158,190	190
Licenses and Permits	5,050	5,050	18,131	13,081
Intergovernmental Revenue	210,005	210,005	260,880	50,875
Charges for Services	25,300	25,300	975	(24,325)
Miscellaneous	55,000	62,167	34,799	(27,368)
Interest	6,000	6,000	14,284	8,284
Total Revenues	<u>1,562,322</u>	<u>1,663,322</u>	<u>1,773,861</u>	<u>110,539</u>
<b>EXPENDITURES</b>				
General Government	806,851	992,049	945,215	46,834
Protection to Persons and Property	63,258	75,922	50,964	24,958
General Health and Sanitation	82,530	84,297	84,297	
Recreation and Culture	50,000	55,849	55,849	
Debt Service	63,522	78,956	78,957	(1)
Administration	713,471	753,209	741,387	11,822
Total Expenditures	<u>1,779,632</u>	<u>2,040,282</u>	<u>1,956,669</u>	<u>83,613</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(217,310)</u>	<u>(376,960)</u>	<u>(182,808)</u>	<u>194,152</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to Other Funds	(60,000)	(60,000)	(60,000)	
Transfers from Other Funds	77,310	77,310	169,510	92,200
Total Other Financing Sources (Uses)	<u>17,310</u>	<u>17,310</u>	<u>109,510</u>	<u>92,200</u>
Net Changes in Fund Balance	(200,000)	(359,650)	(73,298)	286,352
Fund Balance - Beginning	<u>200,000</u>	<u>359,650</u>	<u>359,650</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 286,352</u>	<u>\$ 286,352</u>

**GRAYSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2007**  
**(Continued)**

	<b>ROAD FUND</b>			
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts,</u>	<u>Final Budget</u>
			<u>(Budgetary</u>	<u>Positive</u>
			<u>Basis)</u>	<u>(Negative)</u>
<b>REVENUES</b>				
Taxes	\$ 600,000	\$ 685,000	\$ 701,747	\$ 16,747
Intergovernmental Revenue	1,734,186	2,102,216	2,191,931	89,715
Miscellaneous	22,000	141,500	52,129	(89,371)
Interest	11,500	11,500	26,322	14,822
Total Revenues	<u>2,367,686</u>	<u>2,940,216</u>	<u>2,972,129</u>	<u>31,913</u>
<b>EXPENDITURES</b>				
Roads	2,123,531	2,976,682	2,953,523	23,159
Debt Service	48,867	25,292	25,292	
Administration	587,978	330,932	326,472	4,460
Total Expenditures	<u>2,760,376</u>	<u>3,332,906</u>	<u>3,305,287</u>	<u>27,619</u>
Excess (Deficiency) of Revenues Over				
Expenditures Before Other				
Financing Sources (Uses)	<u>(392,690)</u>	<u>(392,690)</u>	<u>(333,158)</u>	<u>59,532</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to Other Funds	(77,310)	(77,310)	(77,310)	
Transfers from Other Funds			100,000	100,000
Total Other Financing Sources (Uses)	<u>(77,310)</u>	<u>(77,310)</u>	<u>22,690</u>	<u>100,000</u>
Net Changes in Fund Balance	(470,000)	(470,000)	(310,468)	159,532
Fund Balance - Beginning	<u>470,000</u>	<u>470,000</u>	<u>446,368</u>	<u>(23,632)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 135,900</u>	<u>\$ 135,900</u>

**GRAYSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2007**  
**(Continued)**

<b>JAIL FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 9,164,544	\$ 9,164,544	\$ 9,491,194	\$ 326,650
Charges for Services	93,000	93,000	89,243	(3,757)
Miscellaneous	225,000	225,000	411,106	186,106
Interest	28,000	28,000	45,415	17,415
Total Revenues	<u>9,510,544</u>	<u>9,510,544</u>	<u>10,036,958</u>	<u>526,414</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property	6,346,300	6,744,750	6,457,570	287,180
Debt Service	728,000	805,665	20,832	784,833
Capital Projects		295,165	295,165	
Administration	3,216,244	2,729,314	2,414,352	314,962
Total Expenditures	<u>10,290,544</u>	<u>10,574,894</u>	<u>9,187,919</u>	<u>1,386,975</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(780,000)</u>	<u>(1,064,350)</u>	<u>849,039</u>	<u>1,913,389</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to Other Funds	(120,000)	(120,000)	(881,789)	(761,789)
Borrowed Money		284,350	284,350	
Total Other Financing Sources (Uses)	<u>(120,000)</u>	<u>164,350</u>	<u>(597,439)</u>	<u>(761,789)</u>
Net Changes in Fund Balance	(900,000)	(900,000)	251,600	1,151,600
Fund Balance - Beginning	<u>900,000</u>	<u>900,000</u>	<u>1,072,918</u>	<u>172,918</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,324,518</u>	<u>\$ 1,324,518</u>

**GRAYSON COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2007**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**General Fund Reconciliation**

Total Expenditures - Budgetary Basis	\$ 1,956,669
Plus: Capital Outlay - Skate Park	<u>50,000</u>
Total Expenditures - Modified Cash Basis	<u><u>\$ 2,006,669</u></u>
 Total Other Financing Sources (Uses) - Budgetary Basis	 \$ 109,510
Plus: Financing Obligation Proceeds	<u>50,000</u>
Total Other Financing Sources (Uses) - Modified Cash Basis	<u><u>\$ 159,510</u></u>



**GRAYSON COUNTY  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
Other Supplementary Information**

**June 30, 2007**



**GRAYSON COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2007**

	<b>Local Government Economic Assistance Fund</b>	<b>Federal Grant Fund</b>	<b>Disaster and Emergency Services Fund</b>	<b>Emergency 911 Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 19,349	\$ 504	\$	\$ 27,579	\$ 47,432
Total Assets	<u>\$ 19,349</u>	<u>\$ 504</u>	<u>\$</u>	<u>\$ 27,579</u>	<u>\$ 47,432</u>
<b>FUND BALANCES</b>					
Reserved For:					
Encumbrances	\$ 4,609	\$	\$	\$ 2,424	\$ 7,033
Unreserved:					
Special Revenue Funds	<u>14,740</u>	<u>504</u>	<u></u>	<u>25,155</u>	<u>40,399</u>
Total Fund Balances	<u>\$ 19,349</u>	<u>\$ 504</u>	<u>\$</u>	<u>\$ 27,579</u>	<u>\$ 47,432</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**GRAYSON COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2007**



**GRAYSON COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2007**

	<b>Local Government Economic Assistance Fund</b>	<b>Federal Grant Fund</b>	<b>Disaster and Emergency Services Fund</b>	<b>Emergency 911 Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>REVENUES</b>					
Taxes	\$	\$	\$	\$ 265,685	\$ 265,685
Intergovernmental	83,592	298,358		28,219	410,169
Charges for Services				60,000	60,000
Miscellaneous	3,153			187,930	191,083
Interest	2,383			2,756	5,139
Total Revenues	<u>89,128</u>	<u>298,358</u>		<u>544,590</u>	<u>932,076</u>
<b>EXPENDITURES</b>					
General Government	11,524				11,524
Protection to Persons and Property	67,485			572,693	640,178
General Health and Sanitation	14,732				14,732
Social Services	17,118				17,118
Recreation and Culture	20,005				20,005
Bus Service	8,500				8,500
Debt Service	2,920			26,288	29,208
Capital Projects		297,854			297,854
Administration				118,705	118,705
Total Expenditures	<u>142,284</u>	<u>297,854</u>		<u>717,686</u>	<u>1,157,824</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(53,156)</u>	<u>504</u>		<u>(173,096)</u>	<u>(225,748)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers from Other Funds				170,000	170,000
Total Other Financing Sources (Uses)				<u>170,000</u>	<u>170,000</u>
Net Change in Fund Balances	(53,156)	504		(3,096)	(55,748)
Fund Balances - Beginning	<u>72,505</u>			<u>30,675</u>	<u>103,180</u>
Fund Balances - Ending	<u><u>\$ 19,349</u></u>	<u><u>\$ 504</u></u>	<u><u>\$</u></u>	<u><u>\$ 27,579</u></u>	<u><u>\$ 47,432</u></u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**





C R I T L U A L L E N  
A U D I T O R O F P U B L I C A C C O U N T S

The Honorable Gary Logsdon, Grayson County Judge/Executive  
Members of the Grayson County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial Statements  
Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grayson County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated May 24, 2008. Grayson County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Grayson County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Grayson County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Grayson County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Grayson County Fiscal Court's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management and the Department for Local Government and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accountants

May 24, 2008

**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**GRAYSON COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2007**

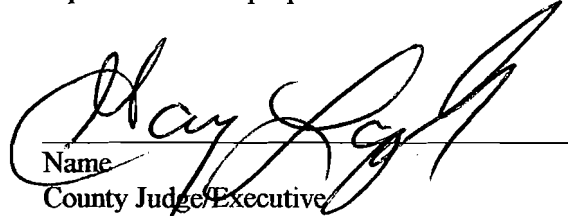
Appendix A

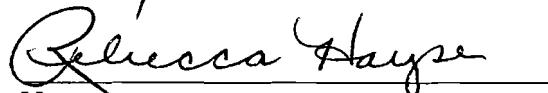


CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAMS  
GRAYSON COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2007

The Grayson County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
\_\_\_\_\_  
Name  
County Judge/Executive

  
\_\_\_\_\_  
Name  
County Treasurer